January - September 2009 Results



October 22nd, 2009

(Free translation from the original in Spanish, in event of discrepancy, the Spanish-language version prevails)

January – September 2009 results highlights

- +34% year-on-year net profit growth in 9M09, to €47.8 million.
- +27% year over year growth in consolidated EBITDA[1] in 9M09, to €97.2 million.
- +3.3 p.p. year over year consolidated EBITDA margin growth, at 22.1% for 9M09.
- Seasonality for the period did not hinder further significant improvement in quarterly EBITDA margin for the casings division (+4.4 p.p.), driving EBITDA in 3Q09 +31% vs. 3Q08.
- Against a background of global economic recession, the strength of consolidated revenues was maintained; they grew 8% vs. 9M08 to €439.4 million.
- The year over year vegetable food division (IAN Group) earnings decline slowed despite the economic crisis in Spain and competition in the sector.
- An extraordinary operating growth and working capital control, cut net debt[2] by €21.5 million (18%) vs. December 2008, even after a 12% increase in dividend payments in the first half of the year and after having carried out ambitious investment projects.
- After the earnings obtained in 9M09, and despite the depreciation of the US$ in recent months, Viscofan Group expects to outperform its EBITDA and net profit guidance for full 2009.

Key events

- In January 2009, an interim dividend was distributed, charged to 2008 earnings, in a gross amount of €0.205 per share. This represented a 7.9% increase over the interim dividend charged to 2007 earnings distributed the previous year.
- In January 2009, a capital increase was approved for Koteks Viscofan d.o.o. and Viscofan de México de S.R.L de C.V in the amount of €4 million and €6 million, respectively.
- In February 2009, the Board of Directors, upon a motion by the Appointments and Compensation Committee, resolved to appoint Mr. José Domingo de Ampuero y Osma to the Board of Directors as an independent Director, to replace the late Mr. José María Cuevas Salvador. In addition, after a report by the Appointments and Compensation Committee, the Board resolved to appoint Ms. Agatha Echevarría Canales and Mr. José Domingo de Ampuero y Osma to the Company's Executive Committee. All these appointments were approved by the shareholders at the General Shareholders Meeting held in June 2009.
- In June 2009, the Company returned the share premium in the amount of €0.290 per share as resolved at the last General Meeting of Shareholders. This payment, together with the per-share dividend and the Meeting attendance fee resulted in shareholder compensation totalling €0.500 per share, 12.4% over the prior year.
- As a result of the resolutions passed at the last General Meeting of Shareholders held in June 2009, the Company filed with the Commercial Registry of Navarra the share capital reduction resulting

[1] EBITDA = Operating profit (EBIT) – Depreciation and Amortization
[2] Net debt = Short- and long-term bank debt and bonds and other negotiable securities – Cash and other, equivalent liquid assets

from the cancellation of 131,197 treasury shares held by the Company, equivalent to 0.28% of share capital.

- In September 2009, the Company announced the establishment of a new company in China: Viscofan Technology (Shuzhou) Co. Ltd., wholly owned by Viscofan S.A., with a capital stock of €7.5 million to be paid in over two years, intended for the finishing phase of the production of casings for the Asian market, particularly China.

9M09 Consolidated Group Results

Viscofan Group Profit and loss account ('000 €)

	Jan-Sep' 09	Jan-Sep' 08	*Change*	Jul-Sep' 09	Jul-Sep' 08	*Change*
Revenues	**439,370**	**407,719**	**7.8%**	**148,374**	**139,429**	**6.4%**
Other operating income	4,324	4,192	3.1%	1,582	255	520.4%
Self-constructed assets	92	256	-64.1%	23	70	-67.1%
Variation in stocks of finished products and work-in-progress	4,384	567	673.2%	1,004	-215	c.s
Net purchases	-130,659	-126,158	3.6%	-47,110	-45,234	4.1%
Personnel expenses	-98,532	-98,006	0.5%	-32,738	-32,562	0.5%
Other operating expenses	-122,292	-112,964	8.3%	-39,253	-37,160	5.6%
Capital grants	499	956	-47.8%	188	617	-69.5%
Impairment and results coming from disposals of non-current assets	8	22	-63.6%	-102	-346	-70.5%
Other results	0	0	n.s.	0	0	n.s.
EBITDA	**97,194**	**76,584**	**26.9%**	**31,968**	**24,854**	**28.6%**
Amortization and depreciation	-27,854	-28,084	-0.8%	-9,502	-9,805	-3.1%
EBIT	**69,340**	**48,500**	**43.0%**	**22,466**	**15,049**	**49.3%**
Financial incomes	377	776	-51.4%	98	225	-56.4%
Financial expenditures	-3,693	-5,629	-34.4%	-1,047	-2,059	-49.2%
Changes in reasonable value of financial instruments	0	51	n.s.	0	190	n.s.
Exchange differences	-1,616	2,100	c.s	261	1,613	-83.8%
Impairment and results coming from disposals of financials assets	0	0	n.s.	0	0	n.s.
Financial results	**-4,932**	**-2,702**	**82.5%**	**-688**	**-31**	**2119.4%**
Profit from associated companies	-17	0	n.s.	-17	0	n.s.
Profit before taxes	**64,391**	**45,798**	**40.6%**	**21,761**	**15,018**	**44.9%**
Taxes	-16,568	-10,134	63.5%	-5,032	-4,174	20.6%
Profit after taxes	**47,823**	**35,664**	**34.1%**	**16,729**	**10,844**	**54.3%**
Minority interest	0	0	n.s.	0	0	n.s.
NET PROFIT	**47,823**	**35,664**	**34.1%**	**16,729**	**10,844**	**54.3%**

Unaudited data

Cumulative net revenues as of September 2009 were up 7.8% vs. 9M08, to €439.4 million. By business line, the good pace of revenue growth continued in the casings division, with growth of 9.9% vs. the prior year, to €370.7 million, while the vegetable food division's revenue decline slowed (-2.4% vs. 9M08).

Despite the deterioration of the US$/€ parity in 3Q09, the Viscofan Group continues to achieve solid consolidated growth, with €148.4 million in revenues, up 6.4% from 3Q08. This revenue growth in 3Q09 was led by the positive performance of the casings division, which grew 7.8% vs. 3Q08, bolstered by the stability of sales achieved in the vegetable food business (-0.1% vs. 3Q08).

Thus, a new high in Viscofan's consolidated quarterly revenues was achieved, an especially significant figure considering the decline in seasonal sales in third quarter due to the summer period in the northern hemisphere.

The increase in revenues was accompanied by the containment of the cost of consumption[3] (+0.5% vs. 9M08), which was €126.3 million, or 28.7% of revenues in 9M09 vs. 30.8% in 9M08. For the quarter, consumption[3] increased 1.4%, to €46.1 million (31.1% of quarterly revenues), driving the 1.5 p.p. increase in the quarterly consolidated gross margin.

The Group's consolidated headcount was 4,015 at the end of September 2009, down 159 from the same period in 2008. However, the number of workers increased by 82 people specifically in September with respect to June 2009, as it was necessary to hire temporary workers in the vegetable food division for the exceptional tomato season in this summer months.

Thus, over the course of the year, the Group's average consolidated headcount declined 4%, without affecting production capacity because of the production efficiency improvement plans which are helping Viscofan Group rightsize its headcount.

As a result of these improvements, cumulative personnel expenses as of September 2009 were €98.5 million (+0.5% over year ago), and €32.7 million (+0.5% over 3Q08) for the quarter.

Cumulative other operating expenses as of September 2009 were €122.3 million, up 8.3% over year ago, due to higher energy costs during this period (+10.0% vs. 9M08). This increase is primarily due to greater consumption of gas because of the startup of the cogeneration plant in Spain. This has resulted in an increase in energy capacity in June 2008 (Phase I of the increase) as well as in July 2009 (Phase II of the increase) to a total of 44.7 MW.

In 3Q09, the startup of the last phase of the cogeneration plant and the repair and maintenance activities carried out during the quarter, particularly at the plants in Spain and Germany, are reflected in Other operating expenses, which grew 5.6% vs. 3Q08, to €39.3 million.

We note that despite these maintenance and repair efforts and the ongoing decline in the operating margin for the vegetable food division, Viscofan Group has increased its EBITDA margin for third quarter by 3.7 p.p. over 3Q08, to 21.5%. This implied 3.3 p.p. consolidated EBITDA growth as of September 2009 vs. 9M08 to 22.1%.

In cumulative terms, 9M09 EBITDA was €97.2 million, up 26.9% over 9M08 as a result of the improvement in revenues, increase in productivity and expense control. This improvement is even more significant in 3Q09, when despite the weakened US$ the pace of EBITDA growth quickened with respect to the growth in prior quarters, by 28.6% vs. 3Q08, to €32.0 million.

Depreciation and amortization declined 0.8% compared to the prior year, to €27.9 million in 9M09 and to €9.5 million in 3Q09 (-3.1% vs. 3Q08).

[3] Cost of consumption = change in inventories + net purchases

3Q09 EBIT grew 49.3% vs. 3Q08, to €22.5 million and cumulative EBIT as of September 2009 grew to €69.3 million, up 43.0% over 9M08.

9M09 net financial losses were €4.9 million, up 82.5% compared to 9M08 net financial losses due to the impact of exchange losses (-€1.6 million in 9M09 vs. +€2.1 million in 9M08), recorded primarily in Q109. They could not be offset by the 34.4% decline in financial expenses in 9M09 resulting from the reduction of average debt and the decline in the debt financing cost.

The exchange rate hedging policy carried out throughout the year made it possible to achieve a positive result for currency translation differences, €0.3 million for the quarter, with the US$ slipping in 3Q09. Thus, 3Q09 net financial losses were €0.7 million, vs. €1.1 million in 2Q09, and €0.03 million in 3Q08.

After completion of the last cogeneration phase in Spain and the 12% increase in dividends paid to shareholders, the Group's solid generation of cash flow yielded net financial debt[4] as of September 30, 2009 of €100.9 million, a €21.5 million decline against the net debt recorded as of monthend December 2008.

Thus, financial leverage[5] was 29.6%, which represents a decline of 10.7 p.p. with respect to 40.4% as of yearend 2008.

Revenue growth, increased operating margins and financial expense control resulted in cumulative Profit before taxes of €64.4 in 9M09, up 40.6% vs. 9M08. In 3Q09, Profit before taxes grew 44.9% vs. 3Q08, to €21.8 million.

Cumulative tax expense was €16.6 million as of September 2009, up 63.5% vs. 9M08, due to the increase in PBT and an effective tax rate of 25.7%, vs. 22.1% for 9M08.

At €47.8 million, 9M09 cumulative net profits were up 34.1% vs. 9M08. Quarterly net earnings were up 54.3% vs. 3Q08, to a new quarterly high for the year, of over €16.7 million.

9M09 Results: Casings

Data in thousand €

	Jan-Sep' 09	Jan-Sep' 08	*Change*	Jul-Sep' 09	Jul-Sep' 08	*Change*
Revenues	370,724	337,401	9.9%	123,888	114,923	7.8%
EBITDA	93,852	72,372	29.7%	30,575	23,264	31.4%
Margin EBITDA	*25.3%*	*21.4%*	3.9 p.p.	*24.7%*	*20.2%*	4.4 p.p.
EBIT	68,190	46,539	46.5%	22,059	14,446	52.7%
Net profit	47,053	33,362	41.0%	16,362	10,078	62.4%

Unaudited data

The first nine months of 2009 were characterized by the slowing growth of the casings market, particularly in the first half of the year. The global economic crisis caused both a delay in the expansion plans of some de meat processors, and a greater adjustment of inventories in order to optimize cash flow in a period of difficult access to credit.

In this market environment, Viscofan Group maintained its strong commitment to growth in value and its cumulative revenues as of 9M09 grew 9.9% vs. 9M08, to €370.7 million.

It should be noted that as a result of the focus on value, and the active risk management policy carried out by the Viscofan Group in the current global macroeconomic environment, there was no deterioration of its

[4] See note 2
[5] Apalancamiento financiero = Deuda financiera neta / Patrimonio

customer portfolio, with it maintaining provisions for bad debt of only 0.2% of the Group's revenues (€0.6 million as of 9M09).

Cumulative revenue growth was driven by improved average prices for the principal families of casings, the contribution to earnings of the new cogeneration plant and the year over year appreciation of the US$ against the € (overall, the impact of currency translation differences[6] contributed 3.1 p.p. to the growth in revenues for the casings business vs. 9M08).

With respect to revenues in the principal geographic areas,[7] we note:

- In Europe, revenues were up 8.2% vs. the same period the prior year, to €181.1 million.
- In North America, sales grew 17.3% vs. 9M08, to €135.3 million.
- In Latin America, revenues were down 0.6% vs. 9M08, to €54.3 million, primarily due to the depreciation of the Brazilian real. Excluding the exchange rate impact[6], revenues deriving from Latin America were up 4.0% vs. 9M08.

In July 2009, the last phase of the cogeneration plant in Spain came onstream, pushing up electricity revenues in Spain to €6.0 million in 3Q09 (vs. €4.8 million in 3Q08, and €3.7 million in 2Q09) and to a cumulative €14.1 million as of 9M09 (vs. €8.2 million as of 9M08).

New electricity sales together with improved revenues in all the casings families drove growth in net revenues, which in 3Q09 exceeded €123.9 million (+7.8% vs. 3Q08), for the seventh consecutive quarter of q-o-q revenue increases.

Stabilization of costs for the principal raw materials in recent months (primarily for cellulose and hides for collagen) and production improvements reached in various plants of the Group resulted in an €82.8 million cost of consumption[8] as of 9M09, up 0.4% vs. 9M08. Quarterly cost of consumption[8] was €31.4 million, up 0.7% on 3Q08.

At the end of September 2009, the casings division headcount was 3,640, down 133 from September 2008, with 91 persons cut in the first nine months as a result of the efforts carried over in recent years to optimize the dimension of headcount through efficiency and productivity improvements.

Thus, 9M09 personnel expense was €91.4 million, up 0.9% over 9M08, which was 24.7% of consolidated casings division revenues vs. 26.9% in 9M08.

Cumulative other operating expenses as of September 2009 were €107.2 million, up 10.5% over 9M08. This item was affected by the greater consumption of gas associated with the startup in July 2009 of two 8.3 MW motors in the last phase of the cogeneration plant in Spain and other expenses for the centralization of services and systems related to the *Be One* strategy, partially offset by the decline in the unit price for gas and the austerity and expense control plans. Quarterly Other operating expenses were up 7.1% vs. 3Q08, to €33.5 million.

On the other hand, we note that the third quarter saw the concentration of a significant part of production shutdowns associated with maintenance and that in this period they were accompanied by additional repair and technology improvement efforts. These efforts had a direct impact, resulting in greater consumption associated with the startup of production and higher maintenance and repair costs recorded on the line Other operating expenses.

Revenue growth, with improved average prices, together with advances in terms of productivity and cost containment, drove cumulative EBITDA margin as of September 2009, to 25.3%, up 3.9 p.p. over 9M08.

[6] For purposes of comparison, growth excluding currency translation differences excludes the impact of the various exchange rates applied in the consolidation of accounts as well as the impact of the USD on trade transactions
[7] Revenues by origin of sales
[8] See note 3

The improvement in quarterly EBITDA margin is particularly significant. It was 24.7% in 3Q09, up 4.4 p.p. over 3Q08.

With this margin increase, cumulative EBITDA as of 9M09 was up 29.7% vs. 9M08, to €93.9 million, quickening the pace of growth over 1H09 (+28.9% vs. 1H08). Quarterly EBITDA was €30.6 million, up 31.4% vs. 3Q08.

9M09 EBIT was €68.2 million, up 46.5% vs. 9M08, bolstered by EBITDA growth and the decline in cumulative depreciation and amortization (-0.7% vs. 9M08 and -3.4% vs. 3Q08). Thus, quarterly EBIT grew 52.7% vs. 3Q08, to €22.1 million.

With year over year growth of 41.0%, cumulative net profit for the casings division as of September 2009 was €47.1 million. In 3Q09, the pace of growth quickened, with net profit up 62.4% vs. 3Q08, to €16.4 million.

9M09 results: IAN Group

Data in thousand €

	Jan-Sep' 09	Jan-Sep' 08	*Change*	Jul-Sep' 09	Jul-Sep' 08	*Change*
Revenues	68,646	70,318	-2.4%	24,486	24,506	-0.1%
EBITDA	3,342	4,212	-20.7%	1,393	1,590	-12.4%
Margin EBITDA	*4.9%*	*6.0%*	-1.1 p.p.	*5.7%*	*6.5%*	-0.8 p.p.
EBIT	1,150	1,961	-41.4%	407	603	-32.5%
Net profit	770	2,302	-66.6%	367	766	-52.1%

Unaudited data

The vegetable food market continues to be hurt by the economic crisis affecting Spain, triggering a significant decline in household consumption. This decline was accompanied by a significant increase in competitive pressure in the market, where price is the principle variable in the decision to buy by consumers and retailers.

As a result of this competitive environment, particularly in the asparagus market, companies are seeking to sell-off production surpluses by cutting sale prices sharply and through greater sales volumes for private label products.

Despite the difficult environment, in 3Q09, the IAN Group achieved significant net revenues, at €24.5 million, similar to 3Q08 revenues and up from prior quarters (€24.2 million in 2Q09 and €20.0 in 1Q09). Thus, cumulative revenues as of September 2009 were €68.6 million, down just 2.4% from 9M08 revenues.

This solid behaviour was supported by the strength of the tomato division and higher private label product sales, as well as the strength of the Carretilla brand. Thanks to its leadership positioning, it maintained a solid market share, with promotional campaigns that were very well-received by consumers, with rapid recovery of volumes.

However, the greater volume of sales of lower added value products and the promotional effort to recover volumes had an impact on EBITDA margin, which declined 1.1 p.p. in 9M09 vs. 9M08, to 4.9%.

In 3Q09, the strong austerity measures and the favourable tomato campaign permitted improved profitability during the year, with quarterly EBITDA margin of 5.7%, up from 4.1% obtained in 2Q09 and 4.8% in 1Q09; but down from 6.5% EBITDA margin achieved in 3Q08.

9M09 cumulative EBITDA was €3.3 million, down 20.7% from 9M08, although the decline slowed in 3Q09 (-12.4% vs. 3Q08), with EBITDA at €1.4 million.

Discipline in investments made in recent years permitted cutting depreciation and amortization expense as of 9M09 by -2.6% vs. 9M08, to €2.2 million.

Thus, EBIT was €1.2 million as of 9M09 and €0.4 million as of 3Q09, down 41.4% vs. 9M08 and 32.5% vs. 3Q08.

Cumulative net profit as of 9M09 declined -66.6% vs. 9M08 and -52.1% in 3Q09 vs. 3Q08 as a result of the decline in operating earnings and the use of tax credits recorded in fiscal year 2008.

It should be noted that the IAN Group's austerity policies and low level of leverage enabled it to achieve net profits in all quarters of the year, with €0.4 million in 3Q09 and cumulative earnings of €0.8 million as of September 2009, while maintaining positive free cash flow.

APPENDIX

Consolidated balance sheets ('000 €)

	Sep '09	Dec '08	Change
Intangible assets	14,733	11,976	23.0%
Goodwill	0	0	n.s.
Others intangible asset	14,733	11,976	23.0%
Tangible assets	290,219	277,940	4.4%
Real state investments	0	0	n.s.
Investment accounting ussing the equity method	1,311	998	31.4%
Non-current financial assets	653	585	11.6%
Deferred tax assets	15,456	15,286	1.1%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**322,372**	**306,785**	**5.1%**
Non-current assets held for sale	0	0	n.s.
Inventories	148,956	156,540	-4.8%
Trade and other receivables	138,625	118,344	17.1%
Trade debtors	109,023	100,119	8.9%
Other debtors	28,741	18,073	59.0%
Current tax assets	861	152	466.4%
Other financial current assets	2,453	612	300.8%
Other current assets	222	172	29.1%
Cash and cash equivalents	21,348	14,014	52.3%
CURRENT ASSETS	**311,604**	**289,682**	**7.6%**
TOTAL ASSETS= EQUITY AND LIABILITIES	**633,976**	**596,467**	**6.3%**
Share capital	13,981	14,020	-0.3%
Share issue premium	16,650	30,165	-44.8%
Reserves	3,281	3,281	0.0%
Treasury shares	0	-1,699	n.s.
Profit for previous years	265,950	226,593	17.4%
Received from associates	0	0	n.s.
Result of the period	47,823	51,403	-7.0%
Less: Interim dividend	0	0	n.s.
Other equity instruments	0	0	n.s.
SHAREHOLDER´S FUNDS	**347,685**	**323,763**	**7.4%**
Financial assets held for sale	0	0	n.s.
Hedge transaction reserves	242	-38	c.s.
Currency translation differences	-7,725	-19,616	-60.6%
Others	519	-834	c.s.
ADJUSTMENTS DUE TO CHANGE IN VALUE	**-6,964**	**-20,488**	-66.0%
SHAREHOLDERS' EQUITY	**340,721**	**303,275**	**12.3%**
Minority interest	0	0	n.s.
EQUITY	**340,721**	**303,275**	**12.3%**
Grants	4,274	3,111	37.4%
Non-current provision	32,674	35,393	-7.7%
Non-current financial liabilities	56,153	58,202	-3.5%
Financial debt	50,734	53,151	-4.5%
Other financial liabilities	5,419	5,051	7.3%
Deferred tax liabilities	26,701	28,272	-5.6%
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**119,802**	**124,978**	**-4.1%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	4,142	4,569	-9.3%
Current financial liabilities	75,372	87,429	-13.8%
Financial debt	71,546	83,287	-14.1%
Other financial liabilities	3,826	4,142	-7.6%
Trade creditor and other payable accounts	92,714	76,216	21.6%
Trade creditors	50,092	53,558	-6.5%
Other creditors	36,368	21,711	67.5%
Current tax liabilities	6,254	947	560.4%
Other current liabilities	1,225	0	n.s.
CURRENT LIABILITIES	**173,453**	**168,214**	**3.1%**
NET DEBT	**100,932**	**122,424**	**-17.6%**

Unaudited data

Average exchange rates (Currency/€)

	9M09	9M08	% Change
Euro	1.000	1.000	0.0%
US Dollar	1.365	1.522	-10.3%
Canadian Dollar	1.594	1.549	2.9%
Mexican Peso	18.525	16.000	15.8%
Brazilian real	2.834	2.564	10.5%
Czech crown	26.630	24.828	7.3%
British Pound	0.887	0.782	13.3%
Polish Zloty	4.378	3.430	27.7%
Serbian Dinar	93.675	80.254	16.7%

For further information please contact to:

Investor relations and Communications
Tfno: + 34 948 198436
e-mail: aresa@viscofan.com

Disclaimer

This document is a free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.

This document contains additional non-compulsory forward-looking statements on intentions or expectations of the Company as of the date of its publication whose only purpose is to provide further information on perspectives on future performance.

Such forward-looking statements do not constitute any guarantee of future performance and involve risks and uncertainties as well as other important factors that could cause actual developments or results to differ essentially from those expressed in our forward-looking statements.

Analysts and investors in particular as well as any other persons or entities who must take decisions or give advise on investments in the Company should not place undue reliance on those forward-looking statements.

The financial information contained in this document has been prepared under International Financial Reporting Standards (IFRS). This financial information is unaudited and, therefore, subject to potential future modifications.